

Message Text

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17

ACTION EB-11

INFO OCT-01 EUR-25 NEA-10 IO-14 ISO-00 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08

L-03 LAB-06 NSAE-00 NSC-07 PA-04 RSC-01 AID-20

CIEP-02 SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 1075

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PARIS FOR OECD

E.O. 11652: N/A

TAGS: ETRD, GATT

SUBJECT: INTERNATIONAL DISCIPLINE FOR SHORT SUPPLY ACTIONS

REF: STATE 074777

SUMMARY: INDIANS ARE SKEPTICAL THAT AN INTERNATIONAL CONSENSUS ON GUIDELINES AND PROCEDURES FOR COMMODITIES IN SHORT SUPPLY IS POSSIBLE. THE GOI APPRECIATES US INITIATIVES IN DISCUSSING THE ORDERLY SHARING OF WORLD NATURAL RESOURCES, BUT WILL NOT GET OUT FRONT IN SUPPORTING US. EMD SUMMARY.

1. EMBOFF DISCUSSED SHORT SUPPLY PROBLEM WITH DIRECTOR NAZARETH, ECONOMIC DIVISION OF MEA. NAZARETH'S INITIAL REACTION WAS SKEPTICISM THAT PROGRESS COULD BE MADE IN REACHING INTERNATIONAL CONSENSUS ON GUIDELINES AND PROCEDURES, BUT WELCOMED SPECIAL LIMITED OFFICIAL USE

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SESSION OF UN GENERAL ASSEMBLY AND RECENT US INITIATIVES

IN DISCUSSING ORDERLY SHARING OF WORLD NATURAL RESOURCES.

2. NAZARETH BELIEVED THAT ATTEMPTS BY THE UN, GATT OR OTHER MULTILATERAL ORGANIZATIONS TO ESTABLISH GUIDELINES AND PROCEDURES FOR EXPORT CONTROLS WERE FUTLE, AT LEAST FOR THE FORESEEABLE FUTURE, SINCE THE SUCCESS OF THE ARAB OIL BOYCOTT IN 1973 FULLY DEMONSTRATED THE EFFECTIVENESS OF SELECTIVE CONTROLS AS A POLITICAL WEAPON. HE DISMISSED ATTEMPTS AT INTERNATIONAL SANCTIONS OUT OF HAND. WHILE NAZARETH DEFENDED THE ARAB PETROLEUM BOYCOTT AS THE ONLY MEANS OF FORCING A CHANGED ATTENTION BY THE US AND EUROPE TOWARD THE MIDDLE EAST, HE ADMITTED THE DANGERS THAT WOULD RESULT IF PRODUCERS OF OTHER PRIMARY PRODUCTS WERE TO MAKE SIMILAR RESTRICTIONS. HE CONSIDERED THE UN TO BE A BETTER FORUM THAN THE GATT FOR DISCUSSION OF SHORT SUPPLY PROBLEMS.

3. NAZARETH STATED THAT EXPORT CONTROLS ARE ONLY A MINOR PROBLEM FOR INDIA IN COMPARISON TO THE ENORMOUS INCREASE IN THE PRICE OF PETROLEUM, FERTILIZERS, AND OTHER VITAL COMMODITIES. WHILE HE RECOGNIZED THE DAMAGE THAT THESE HIGHER PRICES WOULD DO TO THE INDIAN ECONOMY, HE DEFENDED COMMODITY EXPORT RESTRAINTS AND "CARTELIZATION" WHICH HELPED THE DEVELOPING NATIONS TO GET A FAIR PRICE FOR THEIR COMMODITIES AND AVOID THE FLUCTUATING PRICES WHICH EXISTED EARLIER. HE SUGGESTED THAT THE PROPOSED SPECIAL INTERNATIONAL FUND TO COMPENSATE DEVELOPING NATIONS FOR SURGES IN PRICES OF VITAL COMMODITIES WOULD BE A LONG-TERM SOLUTION.

4. NAZARETH ARGUED THAT INDIA HAD NO CHOICE BUT TO MAKE BILATERAL DEALS WITH THE OPEC COUNTRIES AS BEST IT COULD. HE HOPED THAT THE SPECIAL SESSION OF THE UN GENERAL ASSEMBLY WOULD DEVELOP MORE AVENUES FOR COOPERATION AND RECIPROCAL BETWEEN INDUSTRIALIZED NATIONS AND THE DEVELOPING COUNTRIES. HE WELCOMED RECENT US INITIATIVES AT THE UN AND ELSEWHERE, INCLUDING THE WASHINGTON ENERGY CONFERENCE, AND HOPED THAT THE US WOULD CONTINUE TO EXERCISE LEADERSHIP IN THIS REGARD.

5. COMMENT: CONVERSATION WITH NAZARETH EXEMPLIFIED THE GOI'S FEAR ABOUT ITS VULNERABILITY AND THE NECESSITY TO SCRAMBLE TO SECURE NEEDED COMMODITIES IN ANY WAY POSSIBLE. THE INDIANS LIMITED OFFICIAL USE

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REALIZE THAT THEY HAVE COMPARATIVELY LITTLE LEVERAGE TO FORCE DOWN COMMODITY PRICES AND THEIR VULNERABILITY TO SHORTAGES OR HIGH PRICES. THE INDIANS ARE NOT KEEN TO BACK ANY TYPE OF CONFRONTATION BETWEEN CONSUMERS AND PRODUCERS ON COMMODITIES, SINCE THEY BELIEVE THAT INDIA WOULD BE CAUGHT IN THE MIDDLE IN ANY SUCH CONFRONTATION TO INDIA'S DETRIMENT. MOYNIHAN

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